

# A philosophical analysis about the rise of the New Development Bank

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**Abstract.** This paper intends to promote a brief discussion about how the New Development Bank (NDB) emerges as a new pole of economic and political power in the face of the political and economic instability experienced internationally. This is because, for a long time, Eastern European countries and the United States of America regulated international activities indirectly, through agreements where the former were in a privileged position compared to nations in the Global South. However, the crisis scenario in international politics created the right environment for the BRICS countries to create a new financial institution that would, in fact, meet the needs of these countries and the developing countries that became members. The following research uses a literature review to understand how the discourses and regulations that encompass the New Development Bank relate to its status as a global anti-hegemonic pole.

**Keywords.** Multipolarity, political power, governance, Global South, capitalism, instability.

## 1. Introduction

Nowadays, international politics has faced a scenario of institutional crisis. This instability, caused by climate change together with the not fully resolved financial crisis that affected the Bretton Woods institutions in 2008, results in the destabilization of hegemonic centers of power. This situation brings to the global scene new perspectives on what international relations should be in all their spheres, especially with regard to the growth of emerging and developing States. Therefore, it is necessary to analyze how instabilities relating to traditional power poles impact the globalized world in social, political and economic areas.

In this sense, the BRICS countries, formed by Brazil, Russia, China, India and South Africa, emerge as emerging powers with great prospects in the multipolar context that originates from the weaknesses of traditional international organizations. The critical analysis that is aimed at, considers the international legitimacy of the coalition, a term offered by Jonnas Vasconcelos, 2020, to define the multiple aspects that give an expectation of action to a group in the international system. With a view to this, the present research aims to philosophically analyze how the New Development Bank (NDB) gains its political power based on its normative and discursive attributes.

This objective was established based on the

perception of the declarations, laws and Action Plans carried out by the New Development Bank as a fundamental part of the way in which heads of State and their diplomatic corps project their power before the international community. In view of this, unveiling the significance of the speeches that confer this political and economic power is seen as a necessity to critically analyze the global political scenario.

## 2. Methodology

This research uses the hypothetical-deductive method (Marconi; Lakatos, 2003), together with a qualitative approach and exploratory and explanatory research. The data collection technique is bibliographic research and the data analysis technique is content analysis.

## 3. Discussion

The expansion of the BRICS and their introjection into the world economy is evident from the process of establishing the cooperation bloc on the international political scene. The intended reforms in the monetary and financial system would serve as a demonstration, by member countries, of how international economic policy should be directed. (BRICS, 2016). To this end, a series of measures were agreed between member countries to create an alternative to the Bretton Woods institutions, which would have as its main responsibility projects in the

fields of infrastructure and sustainable development aimed at emerging and developing States. (Conti, Deus, Terra, 2019). Based on these principles, the New Development Bank (NDB) was created at the VI BRICS Summit, held in Fortaleza, 2014.

The attribution of legal personality gives the NDB the status of an International Organization. This has its own internal regulations and, therefore, goes back to assertions regarding governance. This reality occurs because, as the spheres of institutional powers change, competitiveness in the governance of the international financial sphere is created. In the case of this cooperation bloc, as BRICS bank projects receive more or less contributions from countries, this dynamic changes (BARROS, 2023). In this sense, the New Development Bank aims to provide conditions for the prosperity of developing countries by presenting new political paths and economic proposals by an organization that follows several assumptions particular to the group.

Jonnas Vasconcelos, 2020, p. 155: "The 'New' in the name of this organization would symbolize a set of expectations surrounding the grouping [...]". This perspective addresses not only the "promise of a new banking mechanism" with a focus on countries located in the global south, but also the originality of a multilateral institution with global contribution, created by countries known as the Third World. One can then perceive an intricate relationship between the political philosophy that permeates the language by which the institution is subscribed and the objectives established in the Constitutive Agreement of the BRICS bank. This, received in the Brazilian legal system through Decree No. 8,624, of December 29, 2015, states, in its article 5, paragraph c, the division of the bank's members into borrowers and non-borrowers. The first in the category can only be States considered to be developing, while countries at the center of capitalism can only join the NDB under the second type.

This configuration is based on the operational principle, established in article 21 of the aforementioned legislation. The principle dictates the prohibition of concentration of investments in any of the members of the financial institution. This foundation aims to counter the current order in traditional global economic institutions, in which financial concessions and political power of influence within these organizations are more easily achieved by states in the global north. (Conti, Deus, Terra, 2019). Thus, the position of the latter as non-takers works as a counterweight to the current power system. Furthermore, to resolve any controversies in relation to the voting quotas relating to each member, an issue that was and has been the subject of controversy within the IMF, it was established in article 6, paragraph a, of the NDB Constitutive Agreement, in which it is equalized the voting power of a country to the number of shares subscribed by the country to the Bank's share capital.

That is, voting power will be directly related to the

capital invested in the institution by the member country. However, article 8, paragraph c, of the same legal provision dictates that BRICS countries will have at least 55% of the total voting power; the voting power of the non-founding member must not exceed 7% and prohibits the increase in the voting power of non-borrowing countries above 20%. The latter mainly refers to the percentage limitation on the quota of nations considered rich, as these cannot be admitted as borrowers. (Medeiros, 2021). Thus, even though the Bank is open to all members of the United Nations, as article 2 of its normative code states, there are restrictions regarding participants from countries in the global north.

Therefore, it can be stated that in addition to the constituent group's interests in launching themselves onto the international scene as agents that modify the current structure, the BRICS' vision of democracy is related to social justice in relation to emerging countries. The reason for the reaffirmation against the hegemonic nature of the group is then understood, after all the measure is defined by Jackson Ribeiro, 2019, p. 419: "Article 8 sets out strategies for the founders of the NDB to avoid the control of rich countries over the bank". However, the opposition to the neoliberal model in international relations is not deepened in the discursive and economic spheres, which means that there is no intention to completely break with traditional institutions.

To discuss this issue, Octávio Henrique Alves Costa de Oliveira, 2022, sees the performance of this financial institution as a reform of the existing system so that it better responds to current demands. This change at the heart of liberalism is analyzed by scholars as a moderate reformist action of a Chinese philosophical nature, which, for the author, would be better defined as an action based on the material pressure of modern politics rather than revolutionary acts. Conversely, the constitution of a group with common decolonial objectives in different areas of the globe, moving towards competing in the international market, has its particularities and with the NDB it is no different. Although its expression is closely related to the Chinese experience, the bank demonstrates a series of unique characteristics arising from its multilateral structure.

The most significant among these aspects is the reduction of exchange rate risk when carrying out transactions using the local currency and placing the standards of the borrowing countries as regulations to prevent the imposition of rules for the existence of financing. (Vasconcelos, 2020). Now, currency is imposed on a society through the State, which has a monopoly on violence. Therefore, the projection of the aforementioned unit of account at the international level becomes a means of exercising power in the face of global geopolitics. (Metri, 2020). In this way, the establishment of a transaction currency abroad strengthens the financing institutions in the internal domain of the State, as this

would be the one who issues the paper currency. Its influence also becomes noticeable in the foreign market, as exchange rates and, therefore, the strength of the foreign currency, are measured based on what the author calls “expansive currency”.

The authority that one nation has over another's market violates the international law principle of national sovereignty in all spheres, which can result in disrespect for the principle of the free market. Given this conjecture, article 24 of the NDB formalization contract states: “The Bank, in its operations, may provide financing in the local currency of the country in which the operation is carried out, provided that appropriate policies are put in place to avoid significant mismatch of coins.” Jackson Ribeiro, 2019, argue about the importance of the measure mentioned above, as it breaks the hegemony of the dollar, at least in the region where financing occurs. This form of negotiation goes against the group's prerogative of granting more autonomy to the Global South.

This is because the NDB established as its primary guideline the non-interference in the political and economic decisions of countries through the financing granted. (Medeiros, 2021). This criterion makes the international organization more attractive to emerging and developing countries by providing an alternative to the actions of the World Bank, which are expressed by leaving the latter at the mercy of market and governance impositions on the part of central capitalist countries. An example of this is the Washington Consensus, which was designed to reduce the power of the currency of poor countries and the protection of the internal market through the implementation of neoliberal measures in developing States, such as privatization policies and tax reductions. This international resolution, for Vanesse Fontes, 2014, is an expression of the characteristic of international authoritarianism on the part of the United States that gives rise to the new world order.

In contrast, the BRICS projects through the Emergency Assist Program in Combating COVID-19, through which the NDB released US\$1 billion to be used by Brazil in public policies to minimize the economic and social effects of the pandemic. In that regard:

Even though Brazil has seen a decline in several areas regarding human development parameters during the pandemic, it is noteworthy that, in 2020, in a completely atypical context of the health crisis, the country managed to reduce its general levels of inequality. (Barros, 2023, p. 12).

There is therefore a concern with the allocation of resources to people in vulnerable situations. Even though it is an exceptional fact, the distribution of income that encompassed this a posteriori financing and its reproduction in South Africa, India and China are a consequence of the conflict with treaties guided by the Bretton Woods institutions.

However, the challenges surrounding the timid start of the financial institution have been overcome to such an extent that 22 countries have already submitted a formal request to join the BRICS bank and, in 2021, the United Arab Emirates, Egypt and Bangladesh were admitted to the Bank. Professor Bruno de Conti stated, in an interview with Brasil de Fato in 2023, that although the acronym BRICS has already emerged as an observance of a certain potential for investments in bonds, tensions with the West have brought China and Russia closer together as counter-hegemonic centers. . Furthermore, the economist portrays the institution as the only one that values equality in its dealings in the international system.

In an implicitly analogous way, the interview with Liu Xin, in June 2023, given by the president of the NDB, Dilma Rousseff, explained some objectives to be achieved in her management. One of them is the incorporation of new members to the institution to strengthen the fight against poverty and the negotiations regarding infrastructure and climate change. In the meantime, the importance of the bank is highlighted as a multilateral financial organization that goes beyond regionalism, where the aim is to integrate the entire global south by giving them the nickname of participants in search of a common objective. Although it does not directly confront traditional global institutions, the creation of the NDB would serve as a solution to problems, such as dollarization, whose arrangement harms the exchange rate policy of emerging and developing countries, resulting in increased inflation due to the debt imbalance. external.

The economist's speech aims for joint growth in emerging and developing countries, without compromising the economic and social stabilization of rich countries. In a different sense, dollarized financial assets support the public sector in the United States, as the State becomes increasingly indebted and throws its public debt securities into national and international banks, which results in the transfer of capital from other countries to this nation. (Metri, 2020). Therefore, poor countries, which have greater market volatility and lower competitive contributions, in addition to their internal sovereignty determined by decisions that permeate global geopolitics, bear the greatest burden resulting from this transfer. (Fontes, 2014).

## 4. Conclusion

Finally, there is no impossibility of conciliation between the center and the periphery of capitalism under the aegis of the structure of market liberalism, even in the face of the reformist proposal that the New Development Bank conceives. The consolidation contexts of developing and emerging nations, as well as the worldviews born from this, directly confront the traditional international system. Therefore, even if there is the objective of

achieving better social, economic and political indices on the part of the Global South without harming the already consolidated liberal countries, the discourse is not in line with practice since the capitalist dynamics give rise to a balance that includes the transfer of income. Proof of this is the increase in international tensions that brings about the rise of the aforementioned financial institution.

That said, it is still not possible to say which international relationship will emerge from this implicit competition for power in global governance. It is clear that despite all the instability arising from the cultural, financial and political differences of the countries that make up the member countries of the New Development Bank, the financial institution has exceeded expectations regarding its rise. The consolidation of a legal and discursive agenda that results in commercial advantages for countries in the Global South have brought increasingly apparent tensions with the Global North. Given this, the study of the process of this new world configuration becomes insurmountable for consolidating the critical participation of subjects in situations that surround the international community.

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